



STATE BOARD OF EQUALIZATION
PROPERTY AND SPECIAL TAXES DEPARTMENT
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State Controller, Sacramento

RAMON J. HIRSIG
Executive Director

March 21, 2005

Honorable Mabel S. Teng, Assessor-Recorder
City and County of San Francisco
Office of the Assessor-Recorder
1 Dr. Carlton B. Goodlett Place
City Hall, Room 190
San Francisco, CA 94102-4698

Dear Ms. Teng:

On October 25, 2004, you requested assistance from the Board of Equalization (Board) in reviewing valuations made by your staff during the period January 2003 through mid-September 2004. In a letter dated January 5, 2005, I informed you that staff of the Board believed it was appropriate to conduct a special survey of your office pursuant to its authority under Government Code section 15612, which allows the Board, or its duly appointed representative, to inspect the work of any local officers whose duties related to the assessment of property for taxation and the collection of taxes.

During the month of January 2005, three property tax appraisers from my staff reviewed a number of assessments made by your office. As outlined in my January 5th letter, this special survey was limited to a review of roll changes made during your tenure as Assessor-Recorder, the assessment of properties owned by contributors to your election campaign, the assessment of properties owned by employees in your office, the status of training hours for your employees required to be certified by the Board, and any other issues arising from this review.

The enclosed report is a summary of our findings from this special survey of your office. Our review consisted of an examination of your office procedures, records contained in your computer database, hard copy records, and relevant market data; a field inspection of your residence; and interviews with you and your staff. In general, we found no evidence of improper assessments. However, we did find flaws in office procedures resulting in roll changes enrolled without review, assessments made with little or no supporting documentation, excessive deficiencies in training hours for your appraisal staff, and poor property record control.

In order to ensure uniformity of assessments and to correct practices and procedures identified as problems in this survey, we request that you provide a written response to the recommendations contained in the enclosed report within 30 days. In your response, please outline the course of action you will take to address these recommendations.

In addition to this special survey, the Board will be conducting its regularly scheduled Assessment Practices Survey of your office during the fall of 2005. If you have any questions or would like to discuss our findings, please feel free to call me at (916) 445-1516, or Ms. Mickie Stuckey at (916) 324-4495.

Sincerely,

/s/ David J. Gau

David J. Gau
Deputy Director
Property and Special Taxes Department

DJG:bt

Enclosure

cc: Honorable John Chiang, Chair
Honorable Claude Parrish, Vice-Chairman
Ms. Betty T. Yee, Acting Board Member
Honorable Bill Leonard
Honorable Steve Westly
Mr. Steve Kawa, Chief of Staff
Office of the Mayor, City and County of San Francisco
Ms. Jean Alexander, Deputy City Attorney
Ms. Donna Kotake, Deputy Assessor-Recorder
Mr. Ramon J. Hirsig
Acting Chief Counsel
Ms. Mickie Stuckey

**REPORT OF THE SPECIAL SURVEY OF THE
OFFICE OF THE ASSESSOR-RECORDER
CITY AND COUNTY OF SAN FRANCISCO**

MARCH 2005

CALIFORNIA STATE BOARD OF EQUALIZATION

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STATE CONTROLLER

RAMON J. HIRSIG, EXECUTIVE DIRECTOR



**REPORT OF THE SPECIAL SURVEY OF THE
OFFICE OF THE ASSESSOR-RECORDER
CITY AND COUNTY OF SAN FRANCISCO**

MARCH 2005

TABLE OF CONTENTS

INTRODUCTION AND SCOPE	1
FINDINGS.....	3
Roll Changes.....	3
Assessments of Properties Owned by Campaign Contributors.....	4
Assessments of Properties Owned by Ms. Teng and Staff	6
Appraiser Certification and Training.....	8
Other Issues	9
RECOMMENDATIONS	10
APPENDIX.....	12

INTRODUCTION AND SCOPE

To promote uniformity, fairness, equity, and integrity in the property tax assessment process on a statewide basis, the State Board of Equalization is charged, pursuant to Government Code section 15606, with the duty of providing guidance to and oversight of assessors in the exercise of the assessment function. As a means of providing the guidance and oversight, the Board administers the assessment practices survey program, set forth in Government Code sections 15640 and 15642, under which Board staff periodically reviews or surveys the practices and procedures of all 58 assessors' offices in California. The findings and recommendations of each survey are set forth in detail in an assessment practices survey report. Each report also describes whether the assessor has implemented recommendations from prior surveys.

In addition to periodic assessment practices surveys, Government Code section 15612 grants the Board broader oversight authority to conduct "special surveys" by providing that:

The board may inspect, either as a board, individually, or by its duly appointed representative, the work of any local officers whose duties relate to the assessment of property for taxation and the collection of taxes. It may require such officers to produce any records in their custody, including, but not limited to, records relating to the assessment of specific properties and give testimony with reference to such matters of assessment and tax collecting as it deems useful to it in its investigations.

In January 2005, the Board conducted a special survey under the authority of Government Code section 15612 in response to a request for assistance from the San Francisco City and County Assessor-Recorder, the Honorable Mabel Teng. Ms. Teng asked the Board to conduct a review of assessments made by her staff during the period of January 2003 through mid-September 2004 to determine whether any of those assessments were improper as was alleged in media reports. A special survey team, consisting of a supervising property appraiser and two associate property appraisers, reviewed the following areas of the Assessor-Recorder's office:

- Assessment roll changes made during Ms. Teng's tenure as Assessor-Recorder and the policies, practices, and procedures followed by her office for making assessment roll changes.
- Assessments of properties owned by contributors to Ms. Teng's campaign for Assessor-Recorder and, in particular, properties of contributors that recent newspaper articles alleged were improperly assessed.
- Assessments of properties owned by Ms. Teng, her management team, and other staff in her office.
- The status of appraiser certification and training hours for employees required to be certified by the Board as appraisers for property tax purposes.
- Any other issues that may arise from the review of the above areas.

In addition, the special survey team reviewed a recent internal audit of roll changes and performed an independent review appraisal of the Assessor-Recorder's personal residence.

The special survey team interviewed the Assessor-Recorder and her staff, reviewed hard copies of property records, and reviewed records in the computer database of the Assessor-Recorder's office.

A complete assessment practices survey of this office is scheduled for the fall of 2005. For that reason, the special survey team did not conduct an in-depth review of whether or not the Assessor-Recorder implemented the recommendations from the last assessment practices survey report, issued in December 2002.

FINDINGS

Review of assessment roll changes that occurred during Ms. Teng's tenure as Assessor-Recorder and the policies, practices, and procedures followed by her office for making assessment roll changes.

As a result of local newspaper articles alleging improper assessments, the Assessor-Recorder conducted an internal audit of assessment roll changes made by the principal appraisers in her office for the period of January 8, 2003 through September 13, 2004. The chief appraiser, with staff assistance, reviewed 883 of the 1,639 roll changes made by the seven principal appraisers during that period. The review included all the roll changes made by three specific principal appraisers and a random sampling of the roll changes made by the other four principal appraisers. The internal audit disclosed nine roll changes that appeared to lack sufficient documentary support.

The special survey team reviewed the procedures followed in the internal audit, a sampling of the 1,639 roll changes made by the seven principal property appraisers, and the nine roll changes disclosed in the internal audit report that appeared to lack sufficient documentary support.

The team found no evidence of any improper roll changes. Although some roll changes lacked adequate documentary support, the team did not conclude that the evidence showed any deliberate attempt to improperly reduce those assessments. Previous assessment practices surveys conducted under the prior Assessor-Recorder also found a lack of adequate documentation in various areas of the assessment practices of the Assessor-Recorder's office, although not specifically in the area of roll changes.

Review of the assessments of properties owned by contributors to Ms. Teng's campaign for Assessor-Recorder and, in particular, properties of contributors that recent newspaper articles alleged were improperly assessed.

Value Changes

The team identified 184 properties that were believed to be owned by contributors to the Assessor-Recorder's election campaign, for which the value was changed due to a change in ownership, decline in value, or roll change during the Assessor-Recorder's tenure in office. The team reviewed the assessments of 63 of the 184 properties identified and the assessments of all the properties owned by contributors identified in the newspaper articles. In addition, the team reviewed the assessments of all other properties owned by individuals identified in the newspaper articles. The team reviewed both the assessment information on the computer database of the Assessor-Recorder's office and the records in the hard copy files of these properties when those were available.

The team found no evidence of any improper assessments. Although a number of these assessments lacked supporting documentation, a review of comparable sales data indicated that the assessments were within a reasonable range of value.

Vessel Assessment

The team reviewed the assessment of the one vessel identified in a newspaper article. Initially, the vessel was overassessed by a substantial amount due to a clerical error made on June 18, 2004 that changed the value of \$875,000 to \$8,750,000. A roll change to correct the clerical error reduced the assessment back to \$875,000 on July 15, 2004. The value was further reduced to \$30,000 on September 29, 2004 based on documentary evidence supplied by the owner.

The team found that the vessel owner was not a contributor to the Assessor-Recorder's campaign. Additionally, the team found no evidence that the vessel was intentionally underassessed. The assessment was based on the documented purchase price of the vessel. The vessel is an obsolete 1992 America's Cup sailing vessel that was sold "as is." In correspondence from the owner, he indicated that he had made improvements to the vessel since acquiring it. Therefore, on the next annual assessment, the Assessor-Recorder should take into consideration any upgrades performed by the vessel owner since the acquisition in determining its fair market value.

Building Permits

The team reviewed a number of building permits issued for 2003-04 and 2004-05 for properties owned by contributors to identify new construction, which, when completed, requires reappraisal at current fair market value to establish a new base year value. The team reviewed these permits to determine whether any new construction on these properties was undervalued. There were about 685 permits issued for the properties of both contributors to and employees of the Assessor-Recorder's office. It was difficult to identify a specific property from the permit

information obtained from the county building department because the owner's name and address on the permit did not always match those in the Assessor-Recorder's database. In addition, it was difficult to determine whether or not the person on the permit was a contributor or not due to commonality and abbreviation of names on the permits as well as on the listing of campaign contributors. The team was able, however, to identify a number of properties and reviewed the computer database records and hard copy records for those properties.

The team found that permits for new construction appeared to have been processed appropriately and timely and that all permits determined to be assessable new construction appeared to have been handled correctly.

Business Property Assessments

The team reviewed a number of assessment records of businesses that appear to be owned by contributors to determine whether there were any large reductions in the assessed values of the properties of those businesses over the past four years.

The team found that some business property assessments had been substantially reduced, but that all reductions were due to justifiable reasons such as business closures and value adjustments resulting from audits. The team found no evidence of improper reductions of the business property assessments.

Review of the assessments of properties owned by Ms. Teng, her management team, and other staff in her office.

Assessor-Recorder's Residence

The team reviewed the appraisal records for and performed a site inspection of the Assessor-Recorder's residence. The Assessor-Recorder purchased the home in June 1993; added a second floor bedroom, three second floor bathrooms, and one first floor bathroom in 1997; and added a detached garage and converted the original attached garage to living area in October 2002. All construction was completed prior to the Assessor-Recorder taking office in January 2003.

Except for the garage conversion, all new construction was assessed correctly and timely. However, the building permit for the garage conversion was incorrectly coded by the Assessor-Recorder's staff as work that did not constitute new construction and was, thus, not assessable.

When a November 2004 news article stated that some new construction at the Assessor-Recorder's home escaped assessment, the Assessor-Recorder assigned the chief appraiser to review the assessment. The chief appraiser reviewed the records and documents, and determined that the garage conversion should have been assessed as new construction. He also concluded that the miscoding of the permit was unintentional. He assessed the new construction at \$77,000 and processed an escaped assessment.

The team agreed with the conclusions of the chief appraiser concerning the miscoding, the determination of the converted garage as new construction, and the valuation of that new construction.

Value Changes

The team found and reviewed 42 assessment changes due to changes in ownership, declines in value, roll changes, and new construction for properties that appear to be owned by employees of the Assessor-Recorder's office.

The team found a number of assessments with no supporting documentation; but, the value determinations were all within a reasonable range of fair market value as confirmed by comparable sales data.

Building Permits

The team reviewed a number of building permits issued for 2003-04 and 2004-05 for properties owned by employees of the Assessor-Recorder's office to identify new construction, which, when completed, requires reappraisal at current fair market value to establish a new base year value. The team reviewed these permits to determine whether any new construction on these properties was undervalued. There were about 685 permits issued for the properties of both contributors and the employees. It was difficult to identify a specific property from the permit information obtained from the county building department because the owner's name and address

on the permit did not always match those in the Assessor-Recorder's database. In addition, it was difficult to determine whether or not the person on the permit was an employee or not due to commonality and abbreviation of names on the permits. The team was able, however, to identify a number of properties and reviewed the computer database records and hard copy records for those properties.

The team found that permits for new construction appeared to have been processed appropriately and timely and that all permits determined to be assessable new construction appeared to have been handled correctly.

Business Property Assessments

The team reviewed a number of assessment records of businesses that appear to be owned by employees to determine whether there were any large reductions in the assessed values of the properties of those businesses over the past four years.

The team found that some business property assessments had been substantially reduced, but that all reductions were due to justifiable reasons such as business closures and value adjustments resulting from audits. The team found no evidence of improper reductions of the business property assessments.

Statements of Economic Interest

The team reviewed all properties listed on the 2003 Annual Statements of Economic Interest filed by the Assessor-Recorder's staff in early 2004. Only three employees owned properties (four total properties) other than their personal residences in the City and County of San Francisco.

The team found that all properties were properly assessed — one property was assessed at its 1986 factored base year value, two were assessed at the recent sales prices, and one was assessed at the recent sale price plus value added for new construction.

Review of the status of required appraiser certification and training hours for employees required to be certified by the Board.

Section 670 of the Revenue and Taxation Code provides that no person shall perform the duties or exercise the authority of an appraiser for property tax purposes as an employee of any city and county, unless he or she is the holder of a valid appraiser's or advanced appraiser's certificate issued by the Board. Additionally, section 671 provides that, in order to retain a valid appraiser's certificate, every holder shall complete at least 24 hours of training (12 hours in the case of a holder of an advanced certificate) conducted or approved by the Board.

The team reviewed the certification status and the training records maintained by the Board as well as the training records maintained by the Assessor-Recorder's office for all staff required to be certified. Based on the training summary provided by the Board's Training Section for the 2004-05 fiscal year, all staff are appropriately certified; however, numerous members of the appraisal staff have not met the requirement for the minimum number of annual training hours. The team did note, however, that Ms. Teng and her management staff were not deficient in their training hours.

In June 2003, Property Tax Rule 284, *Retention and Revocation of Appraiser Certificate* (Title 18, California Code of Regulations, section 284), became effective and codified the annual training requirements for assessors' certified appraisal staffs statewide and the procedures for revoking an appraiser's certification.

The Board has notified the Assessor-Recorder several times over the past four years that members of the appraisal staff are deficient in training hours, but the problem still exists. For the 2004-05 fiscal year, numerous staff members have training hour deficiencies ranging from 1 hour to 109 hours, with an average deficiency of 35 hours for all delinquent staff members. Seven of the staff are deficient by under 12 hours, three are deficient between 12 and 24 hours, and 11 are over 24 hours deficient. The team determined that 21 out of 52, or approximately 40 percent, will be deficient in their training hours as of July 1, 2005. In addition, the team reviewed the records for the 2003-04 fiscal year and found that 57 staff members were certified during that time and 23, or approximately 40 percent, were deficient in their training hours, which demonstrates an on-going need for corrective action in this area.

Review of any other issues that may arise from this special survey.

The Chief of the Board's County Property Tax Division received an anonymous package containing copies of assessment records in late January 2005, which the team reviewed.

The assessment records were for properties reviewed in the special survey that are addressed in the preceding Findings Section. No new information was provided and the team's conclusions remain as stated.

RECOMMENDATIONS

The findings set forth in the preceding Findings Section of this report warrant the following recommendations that should be implemented as soon as possible. Implementation of these recommendations will assist the Assessor-Recorder in improving her operations.

Recommendation 1: The Assessor-Recorder should restrict access to the computer system so that a principal property appraiser, or manager above that level, must approve all roll changes made by another appraiser before enrollment, thereby ensuring a secondary level of review.

The team found that the computer system enabled any principal property appraiser to make roll changes without approval from another principal or higher-level manager. The system was initially programmed to enable any principal property appraiser to unilaterally make roll changes to expedite corrections and changes. However, this system lacks the necessary controls that ensure the integrity of all assessment roll changes. The Assessor-Recorder indicated she has requested this type of programming change, and has also implemented a manual procedure to ensure that all roll changes have the secondary approval of a principal property appraiser or the chief appraiser pending the requested system programming change.

We believe that this system change is paramount to ensure the integrity of the assessment process. The requirement that a principal property appraiser or manager approve all roll changes creates a check in the process to ensure that all roll changes are made properly prior to enrollment.

Recommendation 2: The Assessor-Recorder should establish a secure storage room for all assessment records.

The team found no security controls over the assessment records in the Assessor-Recorder's office. Most real property records are kept in two open rooms that are accessible by all staff members. Many records were left on the counters in these rooms and were not filed for days. In fact, many of the staff were so concerned about lost records that they kept the records for properties for which they were responsible in files next to their workstations. In those cases, there were no out cards in the files stating who had possession of the records. In addition, many other records, such as parent-child exclusion from change in ownership claim forms, were kept in boxes around staff members' workstations in no particular order. Much of the information in these files is confidential taxpayer data.

All assessment records should be kept in a secured room with access limited to file staff members only. An out card indicating who has the record and when it was taken out should replace any records taken out of the file room. All other miscellaneous assessment records should be filed appropriately and kept in a locked file cabinet or in the secured file room.

This same recommendation was made in the Board's 2002 Assessment Practices Survey report of the Assessor-Recorder's office.

Recommendation 3: The Assessor-Recorder should require staff to properly document all assessment activities.

The team found that many of the computer files and hard copy records contain little or no documentation or remarks supporting the assessment on the roll. It appears that many appraisers did not initially document their files because of time constraints and/or poor work habits. Some appraisers document their appraisals, but keep the documentation in their private files and not attached to the official files. The documents are only provided when requested.

The lack of documentation in the appraisal files and/or in the computer record database creates the impression that the assessment is arbitrary and without support. In addition, the principal property appraisers and higher-level managers are initially unable to comment on the appraisal without consulting with the appraiser and, in many cases, cannot support the initial valuation without making a complete new appraisal.

The Assessor-Recorder should require staff to document all appraisals and value changes and maintain all supporting evidence in the appraisal record.

Recommendation 4: The Assessor-Recorder should ensure that her certified appraisal staff meets annual training hour requirements.

In order to maintain appraisal certification, a permanent appraiser must attend 24 hours of training per year, and an advanced appraiser must attend 12 hours of training. A typical one-week Board class provides about 24-32 hours of training. Property Tax Rule 284 allows appraisers who have not met the requirement to develop a plan, approved by the Board, to complete the required hours.

Eight members of the appraisal staff are currently deficient by more than 40 hours and it is unlikely that they will be able to complete the necessary training hours during the remainder of the 2004-05 fiscal year. Therefore, those appraisers, as well as any others that will be delinquent in their training hours at the end of the 2004-05 fiscal year, should develop plans to meet the training hour requirements and submit those plans for approval according to the procedures outlined in Rule 284. If these plans are not submitted and/or the training hours are not completed as designated in the plan and approved by the Board, formal revocation proceedings shall be initiated by the Board in accordance with the Administrative Procedures Act, Chapter 5, Part 1 of Division 1 of Title 2 of the Government Code.

APPENDIX

October 25, 2004 letter to Ramon J. Hirsig, Executive Director, State Board of Equalization, from Mabel S. Teng, Assessor-Recorder, City and County of San Francisco

November 15, 2004 letter to Mabel S. Teng, Assessor-Recorder, City and County of San Francisco, from Ramon J. Hirsig, Executive Director, State Board of Equalization

January 5, 2005 letter to Mabel S. Teng, Assessor-Recorder, City and County of San Francisco, from David J. Gau, Deputy Director, Property and Special Taxes Department, State Board of Equalization



City and County of San Francisco
Office of the Assessor-Recorder

MABEL S. TENG
ASSESSOR-RECORDER

October 25, 2004

Ramon J. Hirsig
Executive Director
State Board of Equalization
P.O. Box 942879
Sacramento, California 94279-0064

FAX: (916) 324-2586

Re: San Francisco City and County Assessment Practices Survey

Dear Mr. Hirsig:

Recently our office conducted an internal audit of corrections made from January 2003 through mid-September, 2004. We are in the process of reviewing several cases to determine if the corrected valuations were proper. After concluding the internal audit, it became clear to me that there are some areas that need improvement. I developed a plan of action to correct these issues.

I am writing to request some assistance from the BOE. I would like to set up a meeting with you and/or other appropriate individuals, to discuss an acceleration of our Assessment Practices Survey, at least on a limited basis. I would like to discuss if this is possible and if so, what the scope of the survey could be, and the timing of it.

Please give me a call so that we may discuss this further. My phone number is (415) 554-4999. Thank you for your consideration.

Very truly yours,

A handwritten signature in black ink that reads "Mabel S. Teng". The signature is written in a cursive, flowing style.

Mabel S. Teng
Assessor-Recorder

cc: David J. Gau, Deputy Director



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STEVE WESTLY
State Controller, Sacramento

RAMON J. HIRSIG
Executive Director

November 15, 2004

Honorable Mabel S. Teng, Assessor-Recorder
City and County of San Francisco
Office of the Assessor-Recorder
1 Dr. Carlton B. Goodlett Place
City Hall, Room 190
San Francisco, CA 94102-4698

Dear Ms. Teng:

This is in reply to your letter dated October 25, 2004, requesting assistance from the Board in reviewing valuations made by your staff during the period January 2003 through mid-September 2004. In your letter, you requested a meeting to discuss the possibility of accelerating the 2005-2006 Assessment Practices Survey of your office, at least on a limited basis.

On November 3, 2004, Board staff met with you and your staff to discuss the matter, as well as potential costs of conducting a special survey of your office. At that meeting, we also discussed the issue of performing a limited audit of records rather than a regular Assessment Practices Survey due to the constraints in budgetary resources to reimburse the Board for the costs.

Subsequently, it was decided that the Board will conduct a special survey pursuant to its authority under Government Code section 15624, which allows the Board to contract with the legislative body or assessor of any county, city, or city and county to render such services. A team of three or four staff from the County Property Tax Division will be assigned to review the following specific areas of your office:

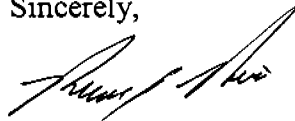
- Any assessment roll changes that have occurred during your tenure as Assessor-Recorder and the policies, practices, and procedures used by your office for making assessment roll changes.
- The assessments of property(ies) owned by contributors to your campaign for Assessor-Recorder and, in particular, those contributors mentioned in recent newspaper articles.
- The assessments of property(ies) owned by you, your management team, and other staff in your office.
- The status of appraiser certification and training hours for your employees required to be certified by the Board as appraisers for property tax purposes.
- Any other issues that may arise from the review of the above areas.

We anticipate that the actual fieldwork will take place from December 2004 through early February 2005, with a report being issued in late February or early March 2005; the estimated cost to the City and County of San Francisco to contract with the Board will be approximately \$80,000. The estimated timeframes and cost are subject to the availability of information to Board staff.

In addition, the Board will be conducting its regular Assessment Practices Survey of your office during the 2005-2006 fiscal year.

Mickie Stuckey, Chief of the County Property Tax Division, will be in contact with Donna Kotake, Deputy Assessor-Recorder, the week of November 22, 2004 to work out the details of this special survey. If you have any questions, please feel free to call me at (916) 445-1516, or Mickie Stuckey at (916) 324-4495.

Sincerely,



Ramon J. Hirsig
Executive Director

RJH:ms

cc: Ms. Donna Kotake, Deputy Assessor-Recorder
Honorable Carole Migden
Honorable Claude Parrish
Honorable Bill Leonard
Honorable John Chiang
Honorable Steve Westly
Mr. Timothy W. Boyer
Mr. David J. Gau
Ms. Mickie Stuckey



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January 5, 2005

Honorable Mabel S. Teng, Assessor-Recorder
City and County of San Francisco
Office of the Assessor-Recorder
1 Dr. Carlton B. Goodlett Place
City Hall, Room 190
San Francisco, CA 94102-4698

Dear Ms. Teng:

This letter is to inform you that, in view of the delay occasioned by the Memorandum of Understanding (MOU), staff of the Board of Equalization (Board) believes it is appropriate to conduct the special survey of your office pursuant to its authority under Government Code section 15612, which does not require that the City and County of San Francisco contract with the Board for such services.

On October 25, 2004, you requested assistance from the Board in reviewing valuations made by your staff during the period January 2003 through mid-September 2004. On November 3, 2004, Board staff met with you and your staff to discuss the matter, as well as the potential costs of conducting a special survey of your office. At that meeting, we also discussed the issue of performing a limited audit of records rather than a regular Assessment Practices Survey due to the constraints in budgetary resources to reimburse the Board for the costs.

In a letter dated November 15, 2004, Ramon Hirsig, the Board's Executive Director, stated that the Board would conduct a special survey pursuant to its authority under Government Code section 15624, which allows the Board to contract with the legislative body or assessor of any county, city, or city and county to render such services. On December 8, 2004, an MOU, drafted by Board staff for the engagement, was sent to Ms. Jean Alexander, Deputy City Attorney for the City and County of San Francisco, by way of e-mail. On December 23, 2004, the MOU with several revisions was returned to Board staff for consideration.

Upon reviewing the revisions, it has become apparent that it may be extremely difficult to resolve contractual issues in a timely manner, thereby delaying the formal execution of an MOU between the Board and the City and County of San Francisco. As an alternative and because we believe time is of the essence, we have decided to expedite your request for assistance and conduct a special survey of your office pursuant to the authority under Government Code section 15612, which allows the Board, or its duly appointed representative, to inspect the work of any local officers whose duties related to the assessment of property for taxation and the collection of taxes. In addition, the Board will be conducting its regularly scheduled Assessment Practices Survey of your office during the 2005-2006 fiscal year.

The special survey will begin on January 10, 2005. A team of three or four staff from the Property and Special Taxes Department, County Property Tax Division, will review the following specific areas of your office:

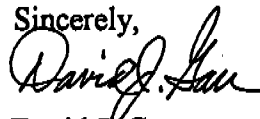
- Any assessment roll changes that have occurred during your tenure as Assessor-Recorder and the policies, practices, and procedures used by your office for making assessment roll changes.
- The assessments of property(ies) owned by contributors to your campaign for Assessor-Recorder and, in particular, those contributors mentioned in recent newspaper articles.
- The assessments of property(ies) owned by you, your management team, and other staff in your office.
- The status of appraiser certification and training hours for your employees required to be certified by the Board as appraisers for property tax purposes.
- Any other issues that may arise from the review of the above areas.

With the cooperation of you and your staff, we anticipate that the actual fieldwork will take approximately two to three months (January 2005 through early March 2005), with a report being issued in early May 2005. Board staff has already begun a review of data, which it has independently obtained. In addition, on December 21, 2004, we verbally requested the following information from Donna Kotake, Deputy Assessor-Recorder:

- A list of all employees employed by your office since January 2003 (including those in the Recorder's Office).
- Copies of all economic interest statements for staff for 2003 and 2004.
- An electronic file of all value changes to the roll since January 2003 (including roll corrections, changes in ownership, new construction, decline in values, and those set by the Assessment Appeals Board) in APN order.
- A listing of all audits completed since January 2003.

Mickie Stuckey, Chief of the County Property Tax Division, will be in contact with Donna Kotake to work out the details of this special survey. If you have any questions, please feel free to call me at (916) 445-1516, or Mickie Stuckey at (916) 324-4495.

Sincerely,



David J. Gau
Deputy Director
Property and Special Taxes Department

DJG:bt

cc: Honorable John Chiang, Chair
Honorable Claude Parrish, Vice-Chairman
Ms. Betty T. Yee, Acting Board Member
Honorable Bill Leonard
Honorable Steve Westly
Mr. Steve Kawa, Chief of Staff
Office of the Mayor, City and County of San Francisco

Ms. Jean Alexander, Deputy City Attorney
Ms. Donna Kotake, Deputy Assessor-Recorder
Mr. Ramon J. Hirsig
Acting Chief Counsel
Ms. Mickie Stuckey